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SUBJECT: COMPLEX AND CHRONIC -- TAJIKISTAN'S EMERGING
EMERGENCY

¶1. Summary: President Rahmon instructed his top foreign policy and economic officials the week of Feb 4 to rally donors and multilateral agencies to assist Tajikistan in dealing with the increasingly evident shortfalls in energy supplies. As of February 8, the government has stopped short of issuing a clear disaster declaration or approving the World Bank's proposed "Action Plan" to deal with the energy situation. The energy crunch is closely related to the growing humanitarian concerns regarding food insecurity for Tajikistan's most vulnerable communities and the cotton sector finance crisis. By early next week, the Embassy expects to receive a disaster declaration by the Tajik Government, a "flash appeal" from the United Nations, and specific proposals for humanitarian interventions by our strongest non-governmental implementing partners (CARE, Save the Children, and Mercy Corps). Embassy requests the Department and USAID stand ready to identify appropriate funding for these humanitarian interventions, and reconsider the discontinuation of the PL-480 Food For Peace program in Tajikistan. (Action request para 12.) End summary.

All the kings men ...

¶2. Beginning February 4, donor country embassies and multilateral missions began receiving invitations from top Tajik officials to participate in a series of urgent meetings to discuss critical energy shortages and related humanitarian concerns facing Dushanbe and the rest of Tajikistan. The Ministry of Health, Presidential Advisor for Economic Affairs, and Foreign Minister called joint meetings to present the case for foreign assistance to help Tajikistan out of its current bind. In each case, the government officials glossed over the government's own responsibility for helping create the current state of affairs and stopped short of issuing an official written disaster declaration which is necessary for most donors to initiate emergency assistance programs.

¶3. Presidential Advisor on Economic Affairs Davlatov convened donors on February 4 and again on February 7. He told donors "not to panic" while he asked for donor assistance to purchase emergency fuel supplies. He blamed the energy emergency on the cold winter and said it was "not the government's fault." Davlatov asserted without explanation that the government was "providing for the

population." Nor would it close the Tajik Aluminum Company (TALCO) which is the largest electricity consumer in the country, he said.

¶4. Foreign Minister Zarifi convened donor ambassadors February 7 to discuss the energy emergency but seemed not to have all the facts or even a clear request. He either did not know about or decided not to represent the elements of the action plan then under discussion with the World Bank. Zarifi avoided answering a direct question, "What is the Government doing?" He dismissed donor concerns voiced by Ambassador about government priorities, saying the expensive new presidential palace was being paid by "sponsors," not from the government's budget. And despite his seven years as Tajik Ambassador to Vienna and Washington, he failed to anticipate the donor ambassadors' reaction to his explanation that the palace and other show projects were important to Othat the palace and other show projects were important to Tajikistan's international prestige: More important than providing basic services to its population?

¶5. In each of the government meetings, multiple donors stressed the need for a Tajik disaster declaration. Many donors (including the United States) require such a declaration in order to access emergency funding. In addition, a disaster declaration would be an important indicator that the Tajik government understands the genesis of the current situation and has the political will to address the longer term structural reforms necessary to dig itself out of the energy, humanitarian, and financial hole it has dug for itself. Instead of a disaster declaration, a rambling letter from Prime Minister Akilov was handed to donors at the February 4 meeting. The letter claimed success for Tajik efforts to transform and stabilize the economy;

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noted the "critical occurrences caused by unusual frosts;" estimated the impact on the economy at a whopping \$850 million ("a more precise assessment of damages will be possible after the warming"); and expressed appreciation for our continued support. The donors unanimously and immediately told Davlatov that this letter did not constitute a disaster declaration. The chairs of the Principals' Group of ambassadors and Donor Coordinating Committee sent a joint letter to President Rahmon February 8 asking for a public declaration. By the day's end we had seen an unsubstantiated news article referring to a presidential "state of emergency," but had received no declaration from the government.

Putting Humpty together again ...

¶6. In light of the government's fumbling over how to proceed, the international donor community is taking action to help Tajikistan help itself. The UN agencies have taken the lead on the humanitarian aspects of the current situation, while the World Bank has tackled the energy shortages. The donor community has consistently insisted that the government look at the energy shortages in light of the humanitarian consequences for the population. We and other donors have voiced growing concern over food insecurity, including the impact on farm income of the cotton sector financial crisis triggered by the government's foot-dragging on agriculture reform and misrepresentations to the International Monetary Fund.

¶7. Embassy expects the United Nations to release a "flash appeal" by early next week. The preliminary drafts of the appeal draw heavily on rapid assessments conducted by non-governmental organizations such as Save the Children, which has been active in some of the most impoverished and therefore most affected parts of Tajikistan, funded through the USAID Food For Peace Development Assistance Program. Save's rapid assessment and corroborating findings from

others depict some disturbing early warning indicators. Families are spending more on food but eating less. Coping strategies are being stretched, with more remittances from abroad spent on basic necessities, families selling off livestock, depleting savings, and borrowing from non-relatives. Local food markets are carrying poorer quality food at higher prices. Illnesses are on the rise. Fuel shortages have led to cutting of trees, which will have long term consequences for recovery.

¶8. The World Bank has coached the Ministry of Energy and state-owned electricity utility, Barki Tojik, to develop an "action plan" which will better manage remaining energy resources to get through the next critical week and help correct the structural flaws which would lead to a repeat of this situation next year. At the World Bank's insistence, the energy action plan will include a humanitarian element, tying the response to the energy shortfall explicitly to the humanitarian situation. Although the World Bank had prepared the draft action plan on Wednesday, as of Friday February 8, the Tajik Government had not yet approved the plan or issued it to the donors as a basis for assistance. Speculation for the delay includes a continued reluctance to admit to the government's role in creating the emergency, and the Qovernment's role in creating the emergency, and the government trying to game the system to get even more cash assistance from the donors than the World Bank plan prescribed. Despite the delay however, some elements of the action plan are already being put into place, including scheduled load-shedding in Dushanbe.

¶9. The "action plan" developed by the World Bank with Tajik Government energy officials includes the following elements:
-- Tajikistan should pay off arrears and conclude diplomatic efforts with neighboring countries to secure energy imports; imports of gas from Uzbekistan, for example, should become easier after the weather warms up as expected after February ¶13.

-- Tajikistan should immediately implement a scheduled load-shedding plan for Dushanbe (5 hours on/7 hours off) to

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conserve the remaining water resources at Nurek hydroelectric station; this aspect of the plan was announced and partially implemented the night of 7-8 February.
-- Tajikistan should procure transformers and other equipment required to repair the deteriorating electricity grid.
-- Tajikistan should procure and import 30,000 tons of fuel oil.
-- In order to avoid a repeat of this situation next year, Tajikistan should begin rationing electricity to Dushanbe by October 1, build reserves of fuel oil, rehabilitate Nurek hydroelectric station, and reform management of Barki Tojik.

¶10. The price tag for this package is \$20 million according to World Bank, which has proposed the following breakdown for contributions: \$5 million from Barki Tojik accounts; \$5 million from the state budget (Davlatov told us this would be in the form of a loan from the Finance Ministry to Barki Tojik); \$5 million from the World Bank (Davlatov told us this would come from Tajikistan's current year IDA funds which had been slated for agricultural reforms related to the "cotton sector roadmap"); and \$5 million from donors. The Tajik authorities, smelling a potential donor bail-out from the immediate crisis pushed the World Bank to raise the fuel oil imports by another \$6 million. Embassy does not recommend we use funds to help purchase these short-term fuel oil supplies, believing the government's pockets -- should it put aside spending on show projects -- are deeper than the \$5 million share proposed in the World Bank plan.

A Complex and Chronic Emergency

¶11. The critical energy shortages now facing Tajikistan are only the latest in a series of emerging problems. Food

insecurity caused by high inflation and reduced income for the poorest Tajiks is compounded by an ongoing cotton sector financing crisis, which threatens to collapse farm incomes further by the next harvest season. The fuel shortages contribute to this general trend. These are all chronic problems reflecting long-standing structural shortcomings. In each case, the international community has worked with the Tajik Government to address the underlying structural problems, and action plans or roadmaps have been agreed. But despite some steps forward, the government generally remains reluctant to admit responsibility and enact the necessary action plans. U.S. assistance programs should remain mostly focused on these longer term reform efforts. USAID programs dealing with land tenure and agricultural reform, for example, will provide an important impetus for the rural Tajik economy to shift from cotton to alternate crops which promise more sustainable incomes for Tajik farmers. One of our most effective programs to address the very humanitarian problems highlighted by the emerging complex crisis is USAID's Food For Peace program which provides targeted rural development assistance through a consortium of U.S. non-governmental partners -- Save the Children, CARE, and Mercy Corps. Unfortunately, this program is slated to end after fiscal year 2008 -- just as its successes are gaining real traction, and just when Tajikistan's rural poor need it the most.

¶112. Action Requests: (A) Embassy requests the Department Q12. Action Requests: (A) Embassy requests the Department and USAID reconsider the decision to discontinue the Food For Peace Development Assistance Program for Tajikistan after ¶2008. This program's successes are well documented in Food For Peace reports and it is an important element in our strategy to address the chronic humanitarian needs reflected in the current crisis. (B) Embassy requests Department and USAID stand ready to review the project proposals we expect to receive by the beginning of next week to provide humanitarian assistance to the most affected communities in Tajikistan. We also expect to receive at about the same time the long expected disaster declaration from the Tajik Government and a UN flash appeal. Once these are received, Embassy will forward them to the Department and USAID for review and determination on the best course for funding. Post greatly appreciates Washington's close attention to the situation in Tajikistan over the past several months.

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JACOBSON